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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY

Although real estate activity slipped a bit in March, it is still holding up well over most of the country. Our national index in March dropped from 15.4 points above normal to 13.2.

Of all the cities reporting their real estate activity to us, 40% have experienced a slowly rising rate since the first of the year, and 17% are enjoying a level higher than that of a year ago.

The figures making up our national real estate activity index are adjusted to eliminate seasonal fluctuations, and for this reason the figures reported here, and the chart on pages 200 and 201, do not reveal a seasonal pattern. In the older, more stable or slower-growing cities, this seasonal pattern is usually fairly well defined. Furthermore, it follows pretty much the same trend. The usual pattern is rising activity through the spring and early summer, a brief plateau during middle and late summer, and a gradual decline through the fall and winter.

During the more hectic days of the housing shortage, this seasonal pattern virtually disappeared in nearly all cities. The pressure for housing was so acute that families hunted houses with only one thought in mind - immediate acquisition if at all suitable. Naturally, this eliminated any seasonal pattern in real estate activity.

In many cities the seasonal pattern has been back for several years. As mentioned, these are the older cities where growth is slower and more orderly. These are also cities where the buyer's market has returned with a vengeance.

REAL ESTATE MORTGAGE ACTIVITY

Mortgage activity is still very good from the lender's point of view, even though it dipped slightly in March. Our national index moved down from 161.0 in February to 159.7 in March.

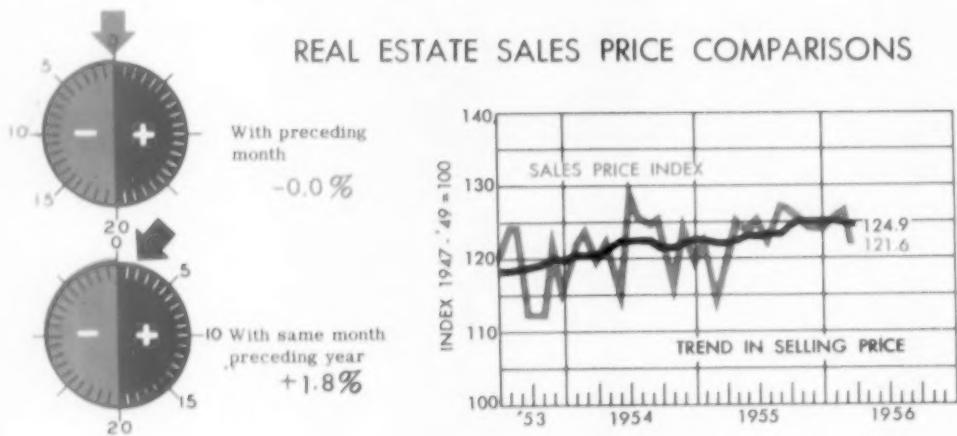
While this decline is scarcely noticeable, it may well presage one of larger dimensions. For the fifth time in less than a year the Federal Reserve has raised its rediscount rate. Without going into all of the ramifications of such a move, it is enough to say that it is a maneuver to tighten credit. The purpose is to try to

slow rising prices and to bring some cutbacks or postponement to the rate of business and industrial expansion - most of which is being carried on by heavy borrowing.

While this move was not aimed directly at home financing, its effects will not be as selective as the money managers might desire. As a result, home building will probably suffer some setbacks as the price of borrowing moves higher and lenders become more selective.

By its very nature, credit tightening restricts the people who require the heaviest financing. In the home building field this is usually the lower-income buyer - the family trying to buy the new house in the below-\$12,000 bracket. This is a situation that politicians are not apt to ignore for long, especially during an election year. Furthermore, the fact that home building is running 15% behind the first quarter of 1955 is certain to be brought forcibly to Congressional attention.

So, while the mortgage business is good from the lender's side of the desk - and will stay that way - you can expect it to brighten up for the borrower and the builder, too. Congress is certain to see that in 1956 there are no "forgotten



Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period
1947-49	100.0	\$12,000	Oct. '48	104.5	12,540
1913	40.1	4,812	Oct. '53	119.7	14,360
1918	34.1	4,092	Oct. '54	122.3	14,680
Mar. '29	73.9	8,868	Jan. '55	122.9	14,750
May '32	34.8	4,176	May '55	123.5	14,820
Apr. '34	44.8	5,376	Oct. '55	125.1	15,010
July '37	40.1	4,812	Jan. '56	125.0	15,000
Apr. '38	42.8	5,136	Feb. '56	124.9	14,985
Mar. '41	40.1	4,812	Mar. '56	124.9*	14,985*

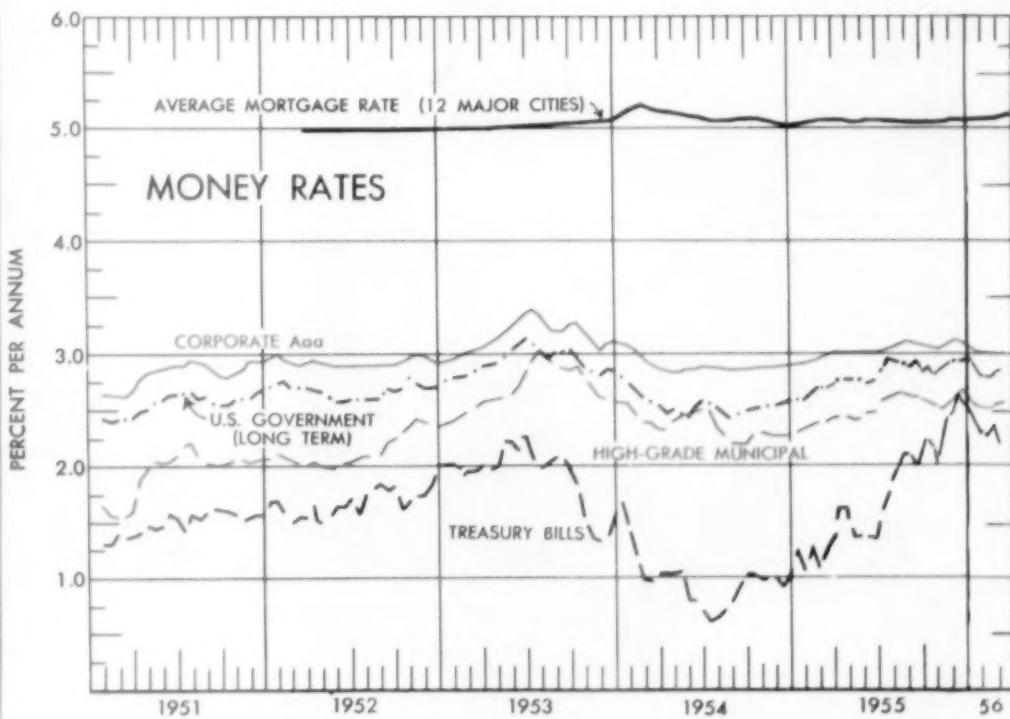
*Preliminary.

men." Therefore, the builders who try to sell houses to people who have no money can take heart and, based on what Congress narrowly missed doing for the farmers, there's no telling what benefits it may dream up for the builders and the marginal borrower.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 12 MAJOR CITIES OF THE UNITED STATES

Jan. '54	5. 187%	July '55	5. 050%
Apr. '54	5. 173	Aug. '55	5. 049
July '54	5. 089	Sept. '55	5. 043
Oct. '54	5. 092	Oct. '55	5. 055
		Nov. '55	5. 051
Jan. '55	5. 045	Dec. '55	5. 066
Feb. '55	5. 070		
Mar. '55	5. 087		
Apr. '55	5. 079	Jan. '56	5. 105
May '55	5. 044	Feb. '56	5. 177
June '55	5. 052	Mar. '56	5. 212

(cont. on page 203)



Business Activity

480

420

360

300

240

180

120

60

NORMAL

-10

1946

1947

1948

1949

1950

1951

1952

1953

1954

1955

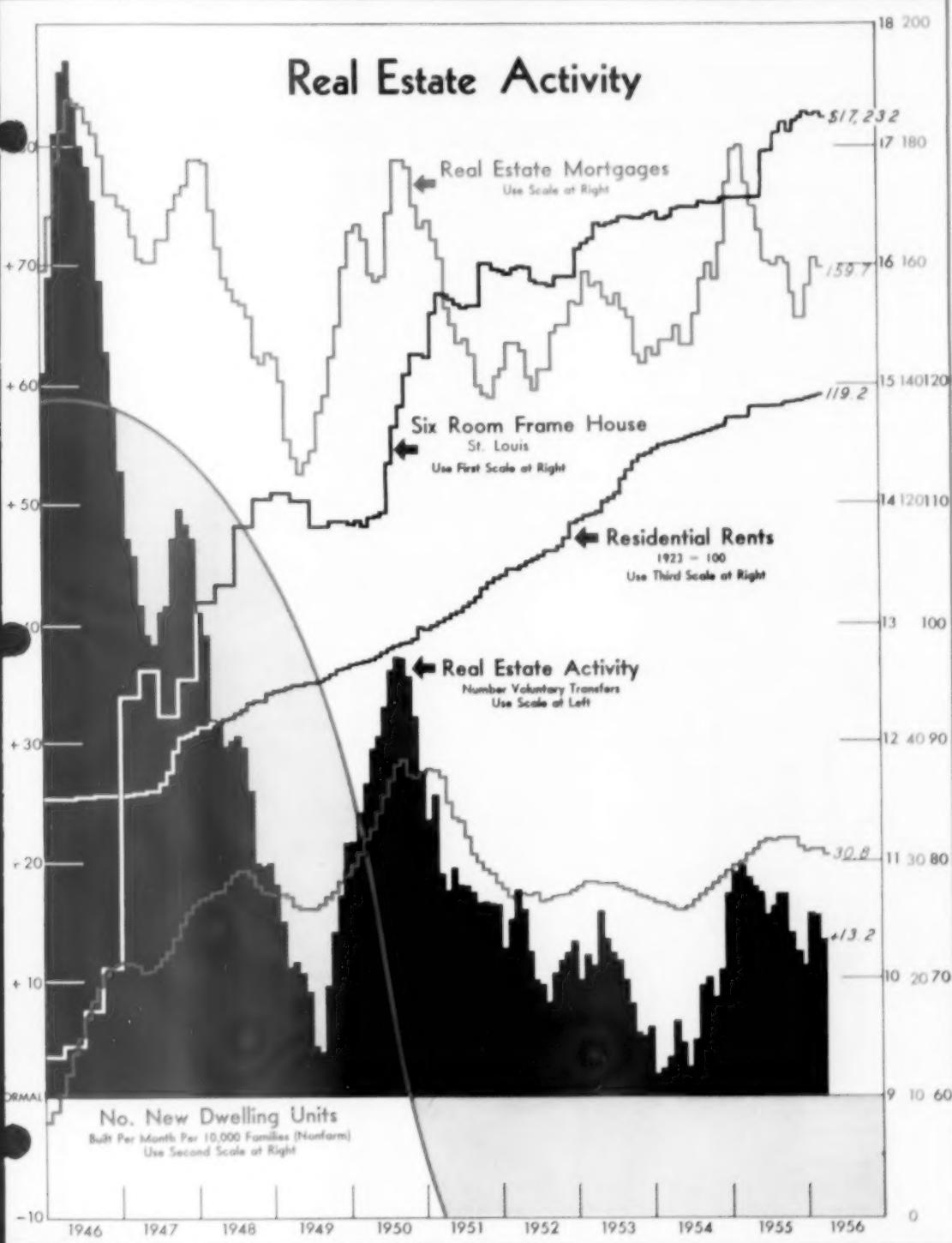
1956

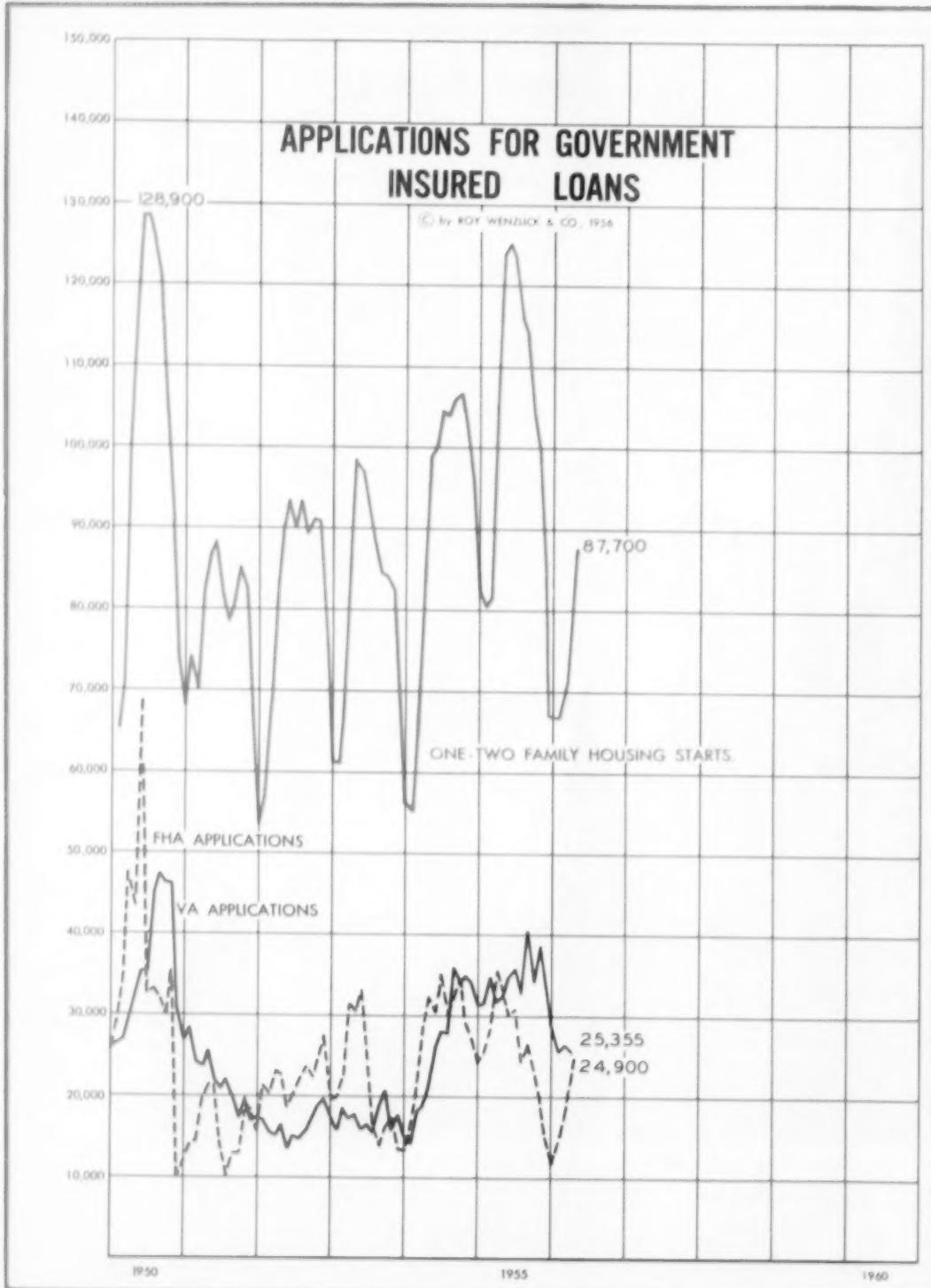
Industrial Stock Prices
To 1897 E. W. Axe's Index, from 1897 Dow-Jones
Use Scale at Left

Wholesale Price Index
1926 = 100
Use Scale at Right

General Business Activity
Cleveland Trust Company
Use Scale at Left

Real Estate Activity





RESIDENTIAL CONSTRUCTION

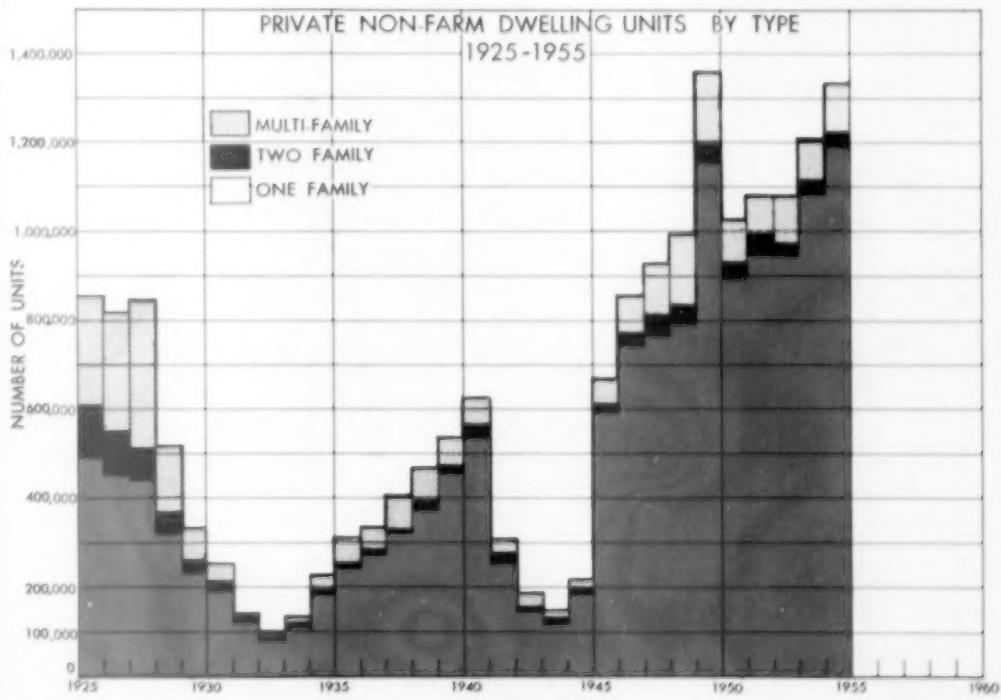
Even at such a late date it is pleasant to report that home building established a new record in 1955. The Nation's builders started 1,194,400 single-family nonfarm residences - or 40,000 more than they started during the record-breaking year of 1950.

While the present level of residential construction is some 15% below that of a year ago, it compares favorably with that of most recent years. Only during the first quarter of 1950 and 1955 did home building far outstrip the volume of the first quarter of 1956. Starts during March reached 96,000, bringing the first quarter total to 248,000.

Applications for VA loans on new homes continue to drop and are now near a 2-year low. On the other hand, FHA applications, while still lower than a year ago, have recently begun to move up strongly (see chart on page 202).

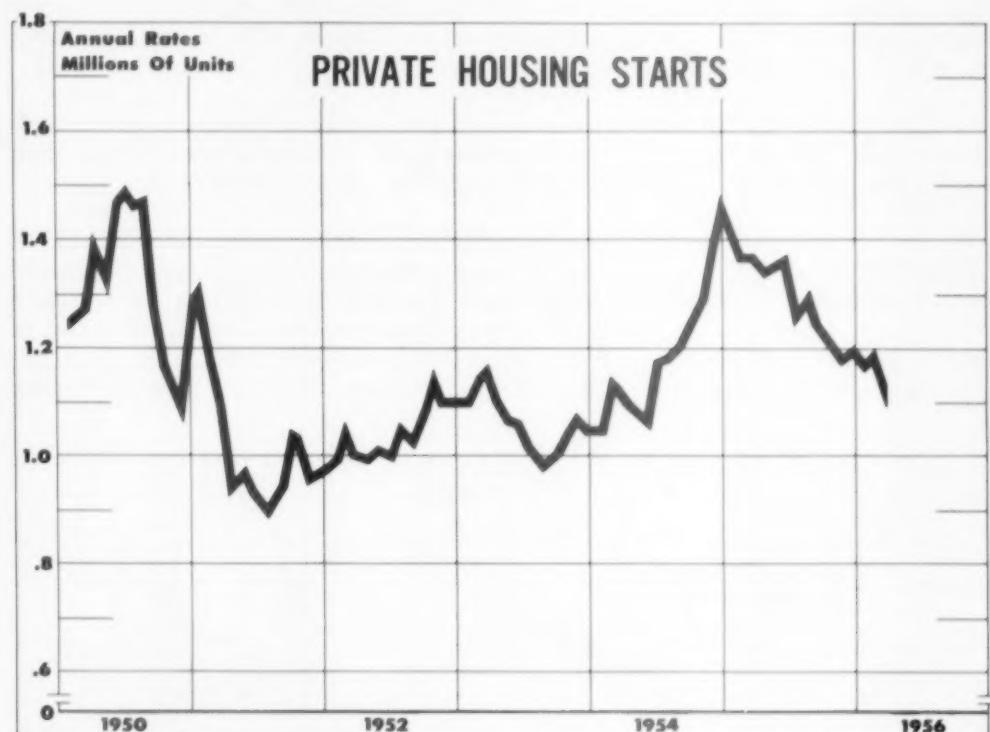
RESIDENTIAL CONSTRUCTION COSTS

The market has not yet responded strongly to rising costs. There have been a few increases, but in April the cost of building our standard six-room frame house in St. Louis stood at \$17,232, down fractionally from its January all-time high of \$17,275. The cost of masonry construction is moving up slowly, and when recent increases in lumber



prices are passed along, the cost of frame construction will no doubt rise to a record level.

The full effects of the new minimum wage and the increase in the freight rates have not yet been felt, but they may well combine to boost construction costs between 5% and 10% throughout the year. The increases in steel prices will also add to construction costs all along the line.



The chart above shows the fluctuations in the privately owned permanent non-farm dwelling units started month by month for the recent years, but corrected for seasonal and expressed on an annual rate basis. From this chart it will be noticed that with only three minor exceptions each succeeding month since December 1954 has shown a drop in the building rate, and that the drop is still continuing. At the present time, on this basis, private starts are approximately 23% below the level reached in December 1954 and 24% below the all-time peak in the middle of 1950. We are now building at an annual rate of 1,140,000 new dwelling units, as against a rate of 1,478,000 in December 1954, and 1,496,000 at the peak in 1950. It looks as if Mr. Cole is going to miss his forecast of 1,300,000 by a sizable amount.